

## Message Text

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ACTION IO-13

INFO OCT-01 ARA-06 ISO-00 SS-15 AF-08 EA-07 EUR-12 NEA-10

INRE-00 SSO-00 NSCE-00 ACDA-07 CIAE-00 INR-07 L-03

NSAE-00 NSC-05 EB-07 NRC-05 OES-06 DODE-00 FEA-01

TRSE-00 OMB-01 ABF-01 /115 W  
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O 130847Z SEP 76

FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC IMMEDIATE 8090

INFO USERDA HQ WASHDC IMMEDIATE

USERDA HQ GERMANTOWN IMMEDIATE

USMISSION USUN IMMEDIATE

AMCONSUL RIO DE JANEIRO IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 IAEA VIENNA 7593

DEPT PASS IO/SCT, ALSO PASS NRC

RIO FOR USDEL IAEA

E.O. 11652: GDS

TAGS: OCON, PARM, TECH, IAEA, ABUD

SUBJECT: SAFEGUARDS FINANCING

REF: IAEA VIENNA 6298

SUMMARY: KNOWLEDGE OF PROBLEM DESCRIBED REFTTEL HAS  
BEGUN TO SPREAD AMONG OTHER MISSIONS. SIMPLE AMENDMENT  
OF SAFEGUARDS FINANCING RESOLUTION AT IAEA GENERAL CONFERENCE  
WOULD AVOID SERIOUS IMPACT OF UNFORESEEN EFFECT OF NEW  
DATA WHICH WILL RESULT IN USSR, ITALY AND OTHERS AVOIDING  
SHARING IN PAYMENT OF INCREASES IN SAFEGUARDS PORTION OF  
IAEA BUDGETS IN 1978 THROUGH 1980. UK APPARENTLY WOULD  
PREFER SUCH SOLUTION. IAEA SECRETARIAT UNENTHUSIASTIC,  
HOWEVER, PREFERRING TO WAIT UNTIL FEBRUARY OR JUNE 1977,  
APPARENTLY HOPING THAT ENTIRELY NEW FORMULA WILL BE  
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DEIVED. PROBLEM HAS NOT RPT NOT BEEN MENTIONED BY USSR

MISSION OR RAISED WITH THEM. ACTION REQUESTED: INSTRUCTIONS TO USDEL TO GENERAL CONFERENCE TO DISCUSS WITH USSR DEL AT EARLIEST OPPORTUNITY. END SUMMARY.

1. MISSION HAS DISCUSSED WITH UK AND PHILIPPINES, CO-SPONSORS WITH USG OF FEBRUARY 1976 BOARD RESOLUTION, SITUATION RESULTING FROM NEW DATA PROVIDED BY UN COMMITTEE ON CONTRIBUTIONS AS THEY WILL BE REFLECTED IN FINANCING OF SAFEGUARDS PORTION OF IAEA BUDGETS FOR 1978 THROUGH 1980.

2. IN INITIAL DISCUSSIONS WITH PHILIPPINES RESREP SIAZON, HE HAD FAVORED SIMPLE AMENDMENT OF PENDING GENERAL CONFERENCE RESOLUTION AT INITIATIVE OF DEL OTHER THAN ONE OF CO-SPONSORS. AMENDMENT WOULD CHANGE ONLY ONE WORD, FROM "TEN" TO "TWENTY", FOR THE NUMBER OF MEMBERS HAVING HIGHEST PER CAPITA NET NATIONAL INCOMES. (MEMBERS WHOSE PER CAPITA NET NATIONAL INCOMES FALL BELOW ON-THIRD OF AVERAGE OF THAT OF HIGHEST TEN, IN PAST AND PENDING FORMULA, OR TWENTY IN SUCH AMENDED FORMULA, WOULD HAVE THEIR CONTRIBUTIONS TOWARD SAFEGUARDS COSTS DURING 1977 THROUGH 1980 FROZEN AT LEVEL OF 1976; IN CASE OF MEMBER WHOSE PER CAPITA NET NATIONAL INCOME IS SHOWN AS FALLING BELOW ONE-THIRD OF SUCH AVERAGE ON BASIS 1972-1974 STATISTICS CONSIDERED BY UN COMMITTEE ON CONTRIBUTIONS IN 1976, ITS CONTRIBUTION WOULD BE FROZEN AT 1977 LEVEL DURING 1978 THROUGH 1980.) SIAZON SUGGESTED EXPLORING WITH ONE OF MEMBERS WHICH WOULD BE ADVERSELY AFFECTED BY NEW SITUATION, SUCH AS CANADA OR FRG, ITS INTEREST IN TAKING INITIATIVE.

3. AS NOTED PARA 7 REFTTEL, CHANGE FROM "TEN" TO "TQQNTY" WOULD RESULT IN USSR, UKRAINE, BYELORUSSIA, ITALY, CSSR, HOLY SEE AND IRELAND REMAINING ABOVE THRESHOLD. POLAND WOULD FALL BELOW THRESHOLD; IN FACT, IT WOULD RANK BELOW SPAIN AND ONE OR TWO OTHERS. THUS, CHANGING FROM TEN TO TWENTY THE NUMBER OF HIGHEST MEMBERS WHOSE AVERAGE IS USED AS BASIS FOR DETERMINING THRESHOLD WOULD A) LEAVE UNAFFECTED ALL MEMBERS WHICH WOULD HAVE FALLEN BELOW THRESHOLD IF NUMBER REMAINED AT TEN AND B) RETAIN ALL THOSE MEMBERS ABOVE

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THRESHOLD, WITH EXCEPTION OF POLAND, WHICH SHOULD REASONABLY HAVE EXPECTED TO BE AMONG THOSE PAYING FOR INCREASES IN SAFEGUARDS COSTS.

4. WHEN POSSIBILITY OF AMENDMENT WAS DISCUSSED ON CONFIDENTIAL AND PERSONAL BASIS WITH HAMMOND OF CANADIAN MISSION, JUST PRIOR TO HIS TRANSFER TO OTTAWA, HE ADVISED THAT, WITHOUT ADDRESSING MERITS OF QUESTION, COMPOSITION OF

CANADIAN DEL TO GENERAL CONFERENCE UNCERTAIN AND LIKELY TO BE LARGELY INEXPERIENCED, SO THAT CANADA SHOULD NOT BE RELIED UPON TO TAKE ANY INITIATIVE. HE SUGGESTED THAT THREE CO-SPONSORS OF BOARD ACTION TAKE INITIATIVE TO AMEND RESOLUTION AT GENERAL CONFERENCE, AS HAS BEEN DONE ON OTHER OCCASIONS WHEN PENDING RESOLUTION AMENDED.

5. WITH DEPARTURE OF SIAZON AND SLATER ON HOLIDAY SHORTLY THEREAFTER, MISSION INITIATED NO FURTHER DISCUSSION WITH OTHER MISSIONS OF SUBJECT OF SAFEGUARDS FINANCING. MATTER WAS DISCUSSED WITH DDG HALL WHO ADVISED AGAINST DOING ANYTHING AT FORTHCOMING GENERAL CONFERENCE, IN VIEW OF SHORT TIME AVAILABLE TO EXPLAIN PROBLEM AND ANY PROPOSED SOLUTION.

6. DURING CURRENT ROUND OF CONSULTATIONS ON BOARD AND GENERAL CONFERENCE MATTERS, HOWEVER, BOTH AMBASSADOR MEHTA OF INDIA AND BASSOY OF TURKEY RAISED SUBJECT, IN EACH CASE STATING THEIR UNDERSTANDING THAT THERE WAS PROBLEM; BASSOY SAID HE UNDERTOOK PROBLEM AROSE BY QATAR JOINING AGENCY. IN BOTH CASES, THEY WERE TOLD THAT WE WERE STUDYING MATTER, THAT THERE WOULD BE NO EFFECT ON THOSE MEMBERS WHO EXPECTED TO BE "PROTESTED" AND THAT NO ACTION WAS PRESENTLY PLANNED FOR NEAR FUTURE. NEITHER MEHTA OR BASSOY WENT INTO DETAIL OF THEIR KNOWLEDGE OF THE SITUATION, NOR DID THEY APPEAR UPSET, INDICATING THEY UNDERSTOOD THAT PROBLEM WAS CONFINED TO THE "UNPROTECTED" GROUP.

7. DISCUSSION WITH IAEA DIRECTOR BUDGET AND FINANCE ABBA-DESSA REVEALED THAT KNOWLEDGE OF SITUATION, INCLUDING POSSIBILITY OF AMENDMENT HAD ALSO REACHED SECRETARIAT FROM OUTSIDE. HE IS OPPOSED TO ANY AMENDMENT OF RESOLUTION WHICH RETAINS OVERALL STRUCTURE ON GROUNDS THAT BASIC FORMULA, CONFIDENTIAL

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INCORPORATING PER CAPITA STATISTICS IS INHERENTLY UNDESIRABLE. HE POINTS OUT THAT RICH COUNTRY WITH SMALL POPULATION, WHILE HEAVILY INFLUENCING AVERAGE PER CAPITA NET NATIONAL INCOME OF TOP COUNTRIES, AND THEREBY LEVEL OF THRESHOLD, NEVERTHELESS PAYS VERY LITTLE BECAUSE ITS ASSESSMENT (INCLUDING SHARE OF SAFEGUARDS COSTS) IS BASED UPON TOTAL NATIONAL INCOME. ACCORDINGLY, HE PREFERS SCRAP EXISTING FORMULA (PAINFULLY NEGOTIATED IN 1971) AND DEVELOP ENTIRELY NEW ONE FOR APPROVAL AT 1977 GENERAL CONFERENCE, HOPEFULLY BASED ENTIRELY ON TOTAL NATIONAL INCOME.

8. DURING CURRENT ROUND OF CONSULTATIONS, WE INFORMED SIAZON OF RESULTS DISCUSSION WITH HAMMOND. HE WAS RELAXED AND WAS NOT INCLINED TAKE ANY ACTION AT THIS TIME. IN LATER DISCUSSION WITH SLATER, ON OTHER

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ACTION IO-13

INFO OCT-01 ARA-06 ISO-00 AF-08 EA-07 EUR-12 NEA-10 SS-15

FEA-01 ACDA-07 CIAE-00 INR-07 L-03 NSAE-00 NSC-05

EB-07 NRC-05 OES-06 DODE-00 INRE-00 SSO-00 NSCE-00

TRSE-00 OMB-01 ABF-01 /115 W  
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FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC IMMEDIATE 8091

INFO USERDA HQ WASHDC IMMEDIATE

USERDA GQ GERMANTOWN IMMEDIATE

USUN NEW YORK IMMEDIATE 3637

AMCONSUL RIO DE JANEIRO IMMEDIATE

C O N F I D E N T I A L SECTION 2 OF 2 IAEA VIENNA 7593

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RIO FOR USDEL IAEA

HAND, HE SAID THAT HIS AUTHORITIES WERE UNEASY WITH  
SITUATION AND PREFERRED THAT SOME CORRECTIVE ACTION  
BE TAKEN SOON.

9. DURING TWO CONSULTATIONS WITH USSR, INCLUDING ONE  
WITH EROFEEV SEPTEMBER 3, SUBJECT OF SAFEGUARDS  
FINANCING WAS NOT RAISED. KNOWLEDGE OF SITUATION MAY  
NOT YET HAVE REACHED USSR MISSION, SINCE MOST OF STAFF  
HAVE BEEN AWAY. WITH RETURN OF EROFEEV, AND WITH  
KNOWLEDGE HAVING SPREAD TO INDIAN AND TURKISH MISSIONS  
AND POSSIBLY OTHERS, WE ASSUME USSR WILL SOON BECOME  
AWARE OF DETAILS, INCLUDING FACT THAT U.S. MISSION  
HAS KNOWN OF SITUATION.

10. SECRETARIAT HAS ISSUED DOCUMENT GC(XX)/670,  
DATED AUGUST 26, "ASSESSMENT OF MEMBERS" CONTRIBUTIONS

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TOWARD THE AGENCY'S REGULAR BUDGET," SUB-HEADED /SCALE OF ASSESSMENT OF MEMBERS' CONTRIBUTIONS FOR 1977." CALCULATIONS IN DOCUMENT ARE BASED ON RESOLUTION, GC(XX)/569, TO BE CONSIDERED BY GENERAL CONFERENCE TO MODIFY SAFEGUARDS FINANCING FORMULA. DOCUMENT INCLUDES TWO LISTS OF MEMBER STATEUHC FIRST LISTING 73 MEMBERS IN "PROTECTED" CATEGORY (WHICH IN AGGREGATE PAY LESS THAN 4.5 PERCENT OF SAFEGUARDS COSM) AND SECOND, REMAINING 36 MEMBERS WHICH PAY BALANCE. (ABBADESSA POINTS OUT THAT UNITED ARAB EMIRATES, WITH HIGHEST PER CAPITA NET NATIONAL INCOME, PAYS ONLY \$1,689 AS ITS SHARE, AS RESULT OF ITS BEING AMONG THOSE HAVING MINIMUM ASSESSMENT ON BASE SCALE, WHICH IS MAJOR FACTOR IN CALCULATING SHARE OF EACH "UNPROTECTED" MEMBER.)

11. DOCUMENT GC(XX)/670 DOES NOT RPT NOT REVEAL PROBLEM RESULTING FROM RECENT DATA SUPPLIED TO SECRETARIAT BY UN COMMITTEE ON CONTRIBUTIONS, BASED UPON 1972-1974 STATISTICS. NEW DATA WILL BE REFLECTED FOR FIRST TIME IN SIMILAR DOCUMENT TO BE ISSUED IN AUGUST 1977, SETTING FORTH CALCULATIONS OF INDIVIDUAL MEMBERS' ASSESSMENTS FOR 1978 BUDGET. ASSUMING FORTHCOMING GENERAL CONFERENCE APPROVES SAFEGUARDS FINANCING RESOLUTION IN PRESENT FORM, AUGUST 1977 DOCUMENT WILL SHOW USSR, ITALY,ETC, ON "PROTECTED" LIST, UNLESS ACTION IS TAKEN BY BOARD OF GOVERNORS IN INTERVENING PERIOD BETWEEN FORTHCOMING GENERAL CONFERENCE AND AUGUST 1977 TO RECOMMEND FURULER MODIRICATION OF SAFEGUARDS FINANCING FORMULA. SUCH NEW RECOMMENDATION BY BOARD WOULD THEN BE USED BY SECRETARIAT IN PREPARING AUGUST 1977 DOCUMENT') 9, ASSUMPTION THAT GENERAL CONFERENCE WILL ADOPT BOARD'S RECOMMENDATION, AS IS DONE IN CASE OF PRESENT DOCUMENT.

12. THUS, QUESTION IS WHETHER SIMPLE AMENDMENT, SUCH AS CHANGING "TEN" TO "TWENTY" IN PENDING RESOLUTION, SHOULD BE ATTEMPTED AT FORTHCOMING GENERAL CONFERENCE OR TO WAIT UNTIL FEBRUARY OR JUNE 1977 BOARD TO TAKE SOME FORM OF CORRECTIVE ACTION. NOTE, HOWEVER, THAT AMENDMENT OF RESOLUTION AT FORTHCOMING

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GENERAL CONFERENCE WOULD NOT PRECLUDE FURTHER MODIFI-

CATION OR NEW APPROACH IN FEBRUARY OR JUNE BOARD, ALTHOUGH GOVERNS MAY BE MORE RELUCTANT, AS MATTER OF PRINCIPLE, TO DEAL WITH MATTER AGAIN SO SOON AFTER GENERAL CONFERENCE ACTION.

13. MISSION BELIEVES THAT, IF DECISION MADE FOR SIMPLE AMENDMENT AT FORTHCOMING GENERAL CONFERENCE, RELATIVELY LITTLE EFFORT WOULD BE REQUIRED TO OBTAIN UNDERSTANDING SUPPORT, BEARING IN MIND THAT 73 CURRENTLY "PROTECTED" MEMBERS WOULD BE UNAFFECTED, SOME 28 MEMBERS WOULD BENEFIT FROM CHANGE (SINCE THEY WOULD OTHERWISE EACH PAY MORE IF USSR, ITALY, ETC., LEAVE THEIR GROUP) AND ONLY THOSE EIGHT WHICH WOULD OTHERWISE DROP BELOW THRESHOLD HAVE ANY BASIS FOR OPPOSING CHANGE. EVEN AMONG THOSE EIGHT, WE BELIEVE USSR, UKRAINE AND BYELORUSSIA AND ITALY SHOULD NOT WISH TO APPEAR AMONG THE DESERVING POOR.

14. WE THEREFORE RECOMMEND THAT PROBLEM BE DISCUSSED WITH USSR, IN FIRST INSTANCE, IN RIO AT EARLIEST OPPORTUNITY (MOROKHOV SCHEDULED ARRIVE SEPTEMBER 15, AFTER STOP IN LIMA) IN ORDER TO TAKE INTO ACCOUNT USSR'S VIEWS IN DECIDING WHETHER TO TAKE ACTION AT FORTHCOMING GENERAL CONFERENCE. LABOWITZ

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FUND ALLOTMENT, NUCLEAR SAFEGUARDS, RESOLUTIONS, PROGRAMS (PROJECTS), INTERNATIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Remarks:**  
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**Subject:** SAFEGUARDS FINANCING  
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**To:** STATE  
**Type:** TE  
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